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SUBJECT: BULGARIAN REACTION TO IP ACTION PLAN; NEXT STEPS

REF: A) SECSTATE 183379

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1. (SBU) SUMMARY: The Bulgarian government's reaction to our proposed intellectual property (IP) action plan (REF A) has been generally favorable. More than ever, the GOB appears eager to demonstrate progress on IP issues largely because the EU has identified it as a key area of concern. Despite a string of successful enforcement activities lately, there still is not adequate high-level political support for IPR, which is sorely needed to energize attention to this issue at the working-level. The Embassy's priority in the coming months will be reinforcing GOB political will as well as encouraging further enforcement efforts and formulating training programs for judges, prosecutors and police. We hope to use the current momentum in the bilateral relationship, boosted by the recent meeting between President Bush and President Purvanov, to press for advances in IPR. We will also stress that improving IPR will open the door to more US investment. END SUMMARY.

BULGARIAN GOVERNMENT RECEPTIVE TO IP ACTION PLAN

2. (U) The Embassy has delivered the proposed IP Action Plan to a number of ministries both at the senior and working levels. Ambassador Beyrle shared the Action Plan and talking points with Minister of Economy and Energy Rumen Ovcharov. Ovcharov appeared receptive to the plan and underscored the importance of working together to successfully fight the piracy of optical disc media (ODM). The two agreed that experts would meet in the coming months to discuss specific details and timetables relating to this cooperation.

3.(U) We also shared the action plan with the Deputy Ministers of Interior and Culture, and other officials who work on IPR at the expert level, including the Director for Registering, Licensing and Control at the Economic Ministry; and the Director for Copyright and Related Rights at the Culture Ministry. Overall, our interlocutors expressed their thanks for the action plan and stated it would be a useful tool in assisting the Bulgarian government to improve its IPR regime and enforcement. Most officials, at least in their rhetoric, pledged support for the overall goals of the plan.

4. (U) The timing is ripe for advancing IP issues here given the importance Brussels has placed on it for Bulgaria's EU accession. In its latest monitoring report on Bulgaria, the European Commission identified IPR issues as one of five areas of "serious concern" requiring decisive action before EU accession. As a result, the GOB appears particularly focused and possibly more willing to take steps to strengthen their IP regime. Gergana Tsareva, the Director for Registering, Licensing and Control at the Economic Ministry, shared with us a draft of the government's own IP action plan, which attempts to address many of the EU's concerns. The Bulgarian plan incorporates a number of U.S. measures, including improving interagency IP coordination with senior level support, increasing training and launching an IP awareness campaign. According to Tsareva, the Council of Ministers is expected to approve the IPR action plan this year.

ENFORCEMENT: A BRIGHT SPOT ON THE IPR FRONT

5. (U) The most encouraging development on the IPR front has been in enforcement. The Bulgarian police--in conjunction with local industry representatives--have continued to conduct a series of raids following the August raid that dismantled a major IPR bootlegging ring (Ref B). In September, the police (with the assistance of industry representatives) initiated a sweep against a number of retail outlets and warehouses engaged in the distribution of counterfeit sporting goods on the Black Sea coast and in Plovdiv. As a result, the police seized about 5,000 counterfeited items bearing various trademarks such as

Adidas, Nike, Puma and Reebok. Thanks to the follow-up investigation of these cases, the police in October were able to break up a significant counterfeit operation based in Plovdiv. The owner of the factory was arrested--the first arrest for trademark infringement. The police reportedly are pursuing criminal prosecutions in the case.

16. (U) Also in October the National Service for Combating Organized Crime (NSCOC) raided a major counterfeit clothing and sports-shoes warehouse. The police found vast quantities of fake goods bearing well-known names like Adidas, Puma, Reebok, Nike, Miss Sixty, Energie and Diesel. The seized goods were estimated to be worth as much as 1.5 million Bulgarian leva (915,000 USD). The investigation revealed that the counterfeit products originated in Dubai, China and Turkey and had been exported to Greece, Macedonia and Bulgaria, where they were sold in some of the best retail shops in Sofia. According to police, the bust represents their biggest clothing counterfeit operation to date. With an eye towards eventual prosecution, the police now are trying to collect evidence related to customs and tax violations.

17. (U) In addition to these operations, which received extensive media coverage, the head of the Motion Picture Association, Rozalina Apostolova, also informed us of another 15 raids and inspections carried out by the police during September. Through these efforts, the police seized over 30,000 illegal audio cassettes, CDs, and DVDs as well as 57 DVD-R burners and CD-R burners. Svetlozar Sokolov, whose law firm ARSIS represents a number of major international companies in Bulgaria with IP concerns, also confirmed that street-level enforcement in Bulgaria has improved and is not a major area of concern for the industry at the moment.

COORDINATION AND POLITICAL WILL REMAIN A CHALLENGE

18. (U) Currently, Bulgaria's main vehicle for coordinating IP actions is an expert-level council chaired by the Ministry of Culture's Director for Copyright Protection, Georgi Damyanov. The council is made up of representatives from NSCOC, the Economic Police, the Customs Agency, the Ministry of Culture, and the Ministry of Economy. Despite its interagency membership, the primary function of the council (which was established by the Minister of Culture in November 2002) is to help the Ministry of Culture better perform its tasks related to IP protection, rather than coordinate the entire government's effort against IPR. As Damyanov told us the council in its current form is ineffective and lacks real political support. He, as director for example, has no real authority to order other ministries to take action. The council therefore has no enforcement ability and is little more than a consultative body of experts.

19. (SBU) Based on pressure from the EU as well as the U.S., the GOB is in the process of creating a new interagency IP body with higher level participation which is meant to improve cooperation. However, our contacts tell us that the new body is the primary sticking point preventing approval of the government's IP action plan. According to Gergana Tsareva, none of the ministries are willing to take on the

SIPDIS

responsibility of establishing and physically hosting this new agency. Tsareva confided that she refused to host the new body, arguing she did not have enough time and staff. She added that there is little support or interest in such a body from her immediate supervisor, the Deputy Minister of Economy, or even Minister of Economy Ovcharov himself. Other ministries reportedly are saying the same thing. However, Damyanov told us that the Ministry of Culture will agree to host the new body if no other ministry is willing to. The GOB hopes to resolve the issue by the end of November.

NEXT STEPS FOR ADVANCING THE IP ACTION PLAN

10. (SBU) The Embassy team working on IPR issues has identified three general areas we intend to focus on in the coming months: building greater political will for IP issues, encouraging the government's enforcement efforts and designing training programs. Specific steps will include:

- Identifying a minister or two who can give greater political support to the GOB's interagency group for IPR issues. We also will try to identify appropriate candidates for a possible IVP program to see how the USG inter-agency process works;
- Continuing to pressure the relevant ministries to continue improved enforcement;
- Drafting proposals for the training of judges, police and prosecutors. The Pol/Econ section is working with USAID on a proposal for the training of judges under the World

Learning Group project. Additionally, DOJ is working on arranging funding for two broad types of training for police and prosecutors. The plan is for each group to have their own separate, specifically-tailored workshop followed by a joint training session;

--Assisting local industry in their plans to launch a public awareness campaign on IPR. Industry representatives are planning a free concert and public awareness campaign with Bulgarian artists to highlight through various media outlets--television, radio, newspapers and billboards--the costs of IP violations. The industry has funding for this effort but inquired about getting additional support from us, particularly on enlisting the government's backing for and possible participation in the campaign.

11. (SBU) Comment: The EU's emphasis on improved IPR compliance has created new opportunities for us to press this issue. We believe EU pressure along with our campaign to highlight the positive connection between IPR protection and increased U.S. investment will keep the Bulgarians motivated. End Comment.

BEYRLE